

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name AuSable Township	County Roscommon
Audit Date 3/31/05	Opinion Date 9/12/05	Date Accountant Report Submitted to State: 9/29/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson & Decker, P.C.			
Street Address P.O. Box 746	Digitally signed by James M. Anderson, CPA DN: cn=James M. Anderson, CPA, c=US, o=Anderson & Decker, PC, email=jma@m33access.com Date: 2005.09.29 16:24:19 -04'00'	City Roscommon	State MI
Accountant Signature 		ZIP 48653	Date 9/29/05

TOWNSHIP OF AUSABLE
ROSCOMMON COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
MARCH 31, 2005

TOWNSHIP OFFICIALS

Supervisor

Bruce Willett

Clerk

Robert Berg

Treasurer

Nancy Schwalm

TRUSTEES

Ron Sharpe
Cathy Meadows

TOWNSHIP OF AUSABLE

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Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

INDEPENDENT AUDITORS' REPORT

September 12, 2005

Township Board
Ausable Township
Roscommon County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Ausable, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion based on these financial statements on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund activity, and the aggregate remaining fund information of the Township of Ausable, as of March 31, 2005, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2005

The management's discussion and analysis on pages 2-7 and budgetary comparison information on pages 22-25 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TOWNSHIP OF AUSABLE MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Ausable Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005.

Financial Highlights

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$213,724 (*net assets*). Of this amount, \$152,379 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- . The Township's total net assets increased by \$5,487.
- . As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$152,379, an increase of \$6,377 in comparison with the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

Government-wide financial statements. The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**TOWNSHIP OF AUSABLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government and public safety. The Township does not have any business-type activities as of and for the year ended March 31, 2005.

The Government-wide financial statements can be found on pages 8-9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains one governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The Township adopts an annual appropriated budget for its general fund. Budgetary comparison statements or schedules have been provided for the general fund herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 10 and 12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**TOWNSHIP OF AUSABLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-21 of this report.

Government-wide Financial Analysis

(Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of Township-wide data will be presented.)

A portion of the Township's net assets (29%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

Township's Net Assets

	<u>Governmental Activities</u>
Current and Other Assets	\$ 152,540
Capital Assets, Net	<u>61,345</u>
Total Assets	213,885
Current Liabilities	<u>161</u>
Total Liabilities	161
Net Assets:	
Invested in Capital Assets, Net	
Of Related Debt	61,345
Unrestricted	<u>152,379</u>
Total Net Assets	<u><u>\$ 213,724</u></u>

**TOWNSHIP OF AUSABLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

The Township's net assets increased by \$5,487 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$6,377 or 4%, during fiscal year 2005.

Township's Changes in Net Assets

	<u>Governmental Activities</u>
Revenue:	
Program Revenue:	
Charges for services	\$ 6,333
Operating Grants and Contributions	2,188
General Revenue:	
Property Taxes	11,262
Federal in-lieu	14,879
State-Shared Revenues	19,110
Interest and Rent Earnings	6,880
Other	<u>2,221</u>
Total Revenue	<u>62,873</u>
Expenses:	
General Government	51,210
Public Safety	<u>6,176</u>
Total Expenses	<u>57,386</u>
Increase in Net Assets	5,487
Net Assets, Beginning of Year	<u>208,237</u>
Net Assets, End of Year	<u><u>\$ 213,724</u></u>

Financial Analysis of the Government's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**TOWNSHIP OF AUSABLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$152,379, an increase of \$6,377 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 100% of this total amount.

The General Fund is the only governmental fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 270% of total general fund expenditures.

General Fund Budgetary Highlights

The Township's budgets are prepared in accordance with Michigan Law. The only budgeted fund of the Township is the General Fund.

Capital Assets and Debt Administration

Capital assets. The Township's investment in capital assets for its governmental activities as of March 31, 2005, amounted to \$61,345 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$2,240 for the fiscal year.

Township's Capital Assets
(net of depreciation)

Land	\$ 2,147
Buildings and Improvements	55,599
Machinery and Equipment	<u>3,599</u>
Total	<u>\$ 61,345</u>

Additional information on the Township's capital assets can be found in note E on page 21 of this report.

**TOWNSHIP OF AUSABLE
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Factors Bearing on the Township's Future

The following factors were considered in preparing the Township's budget for the 2005-2006 fiscal year:

- . The State of Michigan has made significant cuts in their operating budgets due to a down turn of the economy. For 2004-2005, the Township received \$19,110 in state shared revenues, representing 30% of the revenues in the General Fund. The amounts of state shared revenues for future periods is uncertain and will affect the Township's budget.

Requests for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Ausable Township
9181 N. Keno Rd.
St. Helen, MI 48656**

TOWNSHIP OF AUSABLE
STATEMENT OF NET ASSETS
MARCH 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and investments	\$ 148,077
Receivables:	
Delinquent Taxes	1,496
Other Governmental Units	<u>2,967</u>
Total Current Assets	152,540
Non-Current Assets:	
Capital Assets - Net	<u>61,345</u>
Total Assets	<u>213,885</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>161</u>
Total Current Liabilities	<u>161</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	61,345
Unrestricted	<u>152,379</u>
Total Net Assets	<u><u>\$ 213,724</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUSABLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
GOVERNMENTAL ACTIVITIES					
General Government	\$ (51,210)	\$ 4,397	\$ 2,188	\$ -0-	\$ (44,625)
Public Safety	<u>(6,176)</u>	<u>1,936</u>	<u>-0-</u>	<u>-0-</u>	<u>(4,240)</u>
Total Governmental Activities	<u>\$ (57,386)</u>	<u>\$ 6,333</u>	<u>\$ 2,188</u>	<u>\$ -0-</u>	<u>(48,865)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purpose					11,262
Federal in-lieu					14,879
State Shared Revenue not restricted to specific purposes					19,110
Miscellaneous					6,880
Investment Earnings					<u>2,221</u>
Total General Revenues					<u>54,352</u>
Change in Net Assets					5,487
Net Assets - April 1					<u>208,237</u>
Net Assets - March 31					<u>\$ 213,724</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUSABLE
BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2005

	<u>General</u>
ASSETS	
Cash and investments	\$ 148,077
Taxes receivable	1,496
Due from other governmental units	<u>2,967</u>
Total Assets	<u>\$ 152,540</u>
LIABILITIES AND FUND EQUITY	
Liabilities:	
Accounts payable	<u>\$ 161</u>
Total Liabilities	<u>161</u>
Fund Equity:	
Fund balance	<u>152,379</u>
Total Fund Equity	<u>152,379</u>
Total Liabilities and Fund Equity	<u>\$ 152,540</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUSABLE
RECONCILIATION OF FUND BALANCES ON BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
MARCH 31, 2005

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES \$ 152,379

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities
are not current financial resources and therefore
are not recorded in the funds. This represents
the amounts by which capital assets used in
governmental funds exceeds accumulated deprecia-
tion.

61,345

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 213,724

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUSABLE
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes and assessments	\$ 10,558	\$ 10,558	\$ 11,262	\$ 704
Intergovernmental	37,681	37,681	33,989	(3,692)
Charges for services	1,100	-0-	1,456	1,456
Licenses and permits	1,274	2,936	3,110	174
Interest	1,009	1,800	2,221	421
Other	<u>5,156</u>	<u>4,566</u>	<u>10,835</u>	<u>6,269</u>
Total Revenues	<u>56,778</u>	<u>57,541</u>	<u>62,873</u>	<u>5,332</u>
Expenditures:				
General government	50,165	47,347	49,454	(2,107)
Fire	5,000	15,219	1,673	13,546
Building inspection	-0-	1,986	1,986	-0-
Cemetery	667	770	766	4
Street lights	100	100	100	-0-
Zoning board	<u>2,303</u>	<u>2,700</u>	<u>2,517</u>	<u>183</u>
Total Expenditures	<u>58,235</u>	<u>68,122</u>	<u>56,496</u>	<u>11,626</u>
Excess:				
Revenue over (under) expenditures	(1,457)	(10,581)	6,377	16,958
Fund Balance April 1	<u>146,002</u>	<u>146,002</u>	<u>146,002</u>	<u>-0-</u>
Fund Balance - March 31	<u>\$ 144,545</u>	<u>\$ 135,421</u>	<u>\$ 152,379</u>	<u>\$ 16,958</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUSABLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 6,377

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as
expenditures. However in the statement of
activities, the cost of these assets are
capitalized and depreciation charged to expense
over their useful life.

(890)

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 5,487

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUSABLE
STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2005

ASSETS	
Cash and Investments	\$ <u>416</u>
LIABILITIES	
Undistributed Collections	<u>416</u>
Total Liabilities	<u>416</u>
NET ASSETS	
Net Assets	\$ <u><u>-0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUSABLE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED MARCH 31, 2005

REVENUES	
Property Tax Collections	\$ 199,178
Interest Collections	<u>416</u>
Total Revenues	<u>199,594</u>
EXPENDITURES	
Property Taxes	199,178
Other	<u>416</u>
Total Expenditures	<u>199,594</u>
Excess of Revenues over Expenditures	-0-
Net Assets - April 1	<u>-0-</u>
Net Assets - March 31	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF AUSABLE
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2005

NOTE A: ENTITY

The Township of Ausable is a general law township of the state of Michigan located in Crawford County, Michigan. It operates under an elected board and provides services to its residents in many areas including public safety, street development and maintenance, and general administration services. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of Ausable (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Ausable conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2004, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - And Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a Township-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF AUSABLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and select compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports following major governmental fund:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

TOWNSHIP OF AUSABLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

Additionally, the Township reports the following fund types:

Agency Funds are used to account for assets held on behalf of outside parties, including other governments.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2004, are recorded as revenue in the current year. The Township's taxable value for the 2004 tax year totaled \$7,846,079.

The tax rates for the year ended March 31, 2005, were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	1.4241 mills per \$1,000

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF AUSABLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure), is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	30-50
Public domain infrastructure	8-50
Equipment	3-20

LONG-TERM OBLIGATIONS - In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWNSHIP OF AUSABLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE C - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash and investments	\$ 148,493	Checking & Savings Account	\$ 148,493
Total	<u>\$ 148,493</u>	Total	<u>\$ 148,493</u>

The Government Accounting Standards Board Statement No. 3 risk disclosures for Ausable Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 100,000	\$ 100,000
Uninsured and Uncollateralized	<u>48,493</u>	<u>51,447</u>
Total Deposits	<u>\$ 148,493</u>	<u>\$ 151,447</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$148,493 and the bank balance was \$151,447. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 66% of the total bank balance was covered by federal depository insurance.

Investments - P.A. 20 of 1943, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

TOWNSHIP OF AUSABLE
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2005

NOTE D - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of amounts due from the State of Michigan of \$2,967.

NOTE E - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

<u>Primary Government</u>	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Governmental activities:				
Land	\$ 2,147	\$ -0-	\$ -0-	\$ 2,147
Total capital Assets, not being depreciated	2,147	-0-	-0-	2,147
Capital assets, being depreciated:				
Building and improvements	69,500	-0-	-0-	69,500
Machinery and equipment	12,991	2,240	-0-	15,231
Total capital assets, being depreciated	82,491	2,240	-0-	84,731
Less accumulated depreciation for:				
Buildings and improvements	12,163	1,738	-0-	13,901
Machinery and equipment	10,240	1,392	-0-	11,632
Total accumulated depreciation	22,403	3,130	-0-	25,533
Net capital assets, being depreciated	60,088	(890)	-0-	59,198
Net governmental activities capital assets	\$ 62,235	\$ (890)	\$ -0-	\$ 61,345

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,130

NOTE F - PARTIAL SELF-INSURANCE

The Township is a member of the Michigan Township Participating Plan. Under most circumstances, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 500,000	\$ 100
Liability	3,000,000	-0-
Errors and Omission	2,000,000	-0-
Fire	80,000	100
Crime	5,000	-0-
Inland Marine	5,000	100
Workmen's Compensation	STATUTORY	-0-

**REQUIRED
SUPPLEMENTARY
INFORMATION**

TOWNSHIP OF AUSABLE
GENERAL FUND
STATEMENT OF REVENUES - BUDGET TO ACTUAL
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes and Assessments:				
General property taxes	\$ 10,558	\$ 10,558	\$ 11,262	\$ 704
Total Taxes and Assessments	<u>10,558</u>	<u>10,558</u>	<u>11,262</u>	<u>704</u>
Intergovernmental:				
State shared revenues	22,802	22,802	19,110	(3,692)
Federal in-lieu	<u>14,879</u>	<u>14,879</u>	<u>14,879</u>	<u>-0-</u>
Total Intergovernmental	<u>37,681</u>	<u>37,681</u>	<u>33,989</u>	<u>(3,692)</u>
Charges for Services:				
Fees	<u>1,100</u>	<u>-0-</u>	<u>1,456</u>	<u>1,456</u>
Total Charges for Services	<u>1,100</u>	<u>-0-</u>	<u>1,456</u>	<u>1,456</u>
Licenses and Permits	<u>1,274</u>	<u>2,936</u>	<u>3,110</u>	<u>174</u>
Interest	<u>1,009</u>	<u>1,800</u>	<u>2,221</u>	<u>421</u>
Other:				
Reimbursements	2,861	1,525	1,767	242
Miscellaneous	<u>2,295</u>	<u>3,041</u>	<u>9,068</u>	<u>6,027</u>
Total Other	<u>5,156</u>	<u>4,566</u>	<u>10,835</u>	<u>6,269</u>
Total Revenue	<u>\$ 56,778</u>	<u>\$ 57,541</u>	<u>\$ 62,873</u>	<u>\$ 5,332</u>

TOWNSHIP OF AUSABLE
GENERAL FUND
STATEMENT OF EXPENDITURES - BUDGET TO ACTUAL
YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Township Board:				
Trustee wages	\$	\$	\$ 3,053	\$
Payroll taxes			233	
Postage			179	
Total Township Board	<u>(1) 3,156</u>	<u>(1) 3,550</u>	<u>3,465</u>	<u>85</u>
Township Supervisor:				
Wages			5,116	
Payroll taxes			391	
Legal & professional			161	
Total Township Supervisor	<u>(1) 5,800</u>	<u>(1) 5,810</u>	<u>5,668</u>	<u>142</u>
Election Board:				
Workers				
Miscellaneous			646	
Total Election Board	<u>(1) 1,200</u>	<u>(1) 641</u>	<u>646</u>	<u>(5)</u>
Township Assessor:				
Wages			5,200	
Payroll taxes			398	
Contract services			516	
Travel			279	
Postage			194	
Total Township Assessor	<u>(1) 6,120</u>	<u>(1) 6,400</u>	<u>6,587</u>	<u>(187)</u>
Township Clerk:				
Wages			5,388	
Payroll taxes			412	
Postage			34	
Education and training			100	
Miscellaneous			1,285	
Total Township Clerk	<u>(1) 6,038</u>	<u>(1) 7,200</u>	<u>7,219</u>	<u>(19)</u>
Recycling Program:				
Wages			1,278	
Payroll taxes			98	
Contract services			5,193	
Total Township Recycling Program	<u>(1) 4,803</u>	<u>(1) 6,500</u>	<u>6,569</u>	<u>(69)</u>

(1) Budgeted in Total Only

TOWNSHIP OF AUSABLE
GENERAL FUND
STATEMENT OF EXPENDITURES - COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Township Treasurer:				
Wages	\$	\$	\$ 5,388	\$
Payroll taxes			412	
Postage			211	
Tax Rolls			822	
Miscellaneous			1,968	
Total Township Treasurer	<u>(1) 9,973</u>	<u>(1) 7,800</u>	<u>8,801</u>	<u>(1,001)</u>
Board of Review:				
Services			750	
Advertising			36	
Total Board of Review	<u>(1) 867</u>	<u>(1) -0-</u>	<u>786</u>	<u>(786)</u>
Township Hall:				
Insurance and bonds			4,190	
Utilities			2,294	
Contractual services			150	
Miscellaneous			839	
Capital outlay			2,240	
Total Township Hall	<u>(1) 12,208</u>	<u>(1) 9,446</u>	<u>9,713</u>	<u>(267)</u>
Total General Government	<u>50,165</u>	<u>47,347</u>	<u>49,454</u>	<u>(2,107)</u>

(1) Budgeted in Total Only.

TOWNSHIP OF AUSABLE
GENERAL FUND
STATEMENT OF EXPENDITURES - COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Fire:				
Contract services	\$	\$	\$ 1,136	\$
Miscellaneous			537	
Total Fire	(1) 5,000	(1) 15,219	1,673	13,546
Building Inspection:				
Contract services			1,986	
Total Building Inspection	(1) -0-	(1) 1,986	1,986	-0-
Cemetery:				
Contract services			766	
Total Cemetery	(1) 667	(1) 770	766	4
Street Lights:				
Miscellaneous			100	
Total Street Lights	(1) 100	(1) 100	100	-0-
Zoning Board:				
Wages			1,355	
Payroll taxes			104	
Contract Services			782	
Miscellaneous			276	
Total Zoning Board	(1) 2,303	(1) 2,700	2,517	183
Total Expenditures	\$ 58,235	\$ 68,122	\$ 56,496	\$ 11,626

(1) Budgeted in Total Only.

TOWNSHIP OF AUSABLE
REPORT TO MANAGEMENT
MARCH 31, 2005



Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
(989) 275-8831

September 12, 2005

Township Board
Ausable Township
Roscommon County, Michigan

In planning and performing our audit of the financial statements of the Township of Ausable, Roscommon County, as of and for the year ended March 31, 2005, we considered the Township's accounting, operational, and internal control procedures to determine the nature and extent of our audit testing for the purpose of expressing an opinion on the financial statements of the Township and not to provide assurance on the procedures themselves.

We did however, during the course of our audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated September 12, 2005, on the financial statements of the Township of Ausable.

We have already discussed these comments and suggestions with the Township's personnel, and we will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

AUSABLE TOWNSHIP
COMMENTS AND RECOMMENDATIONS
MARCH 31, 2005

Accounting

The Township Clerk maintains a computerized general ledger system. A monthly receipt and disbursement journal are printed and kept with invoice and check copies. The Township Treasurer receipts and deposits Township funds and reconciles the three bank accounts. However, the Clerk and Treasurer have not reconciled their activities between them and thus maintain different account balances. We recommend that these accounts be reconciled between the Clerk and Treasurer within 15 days of the end of each month to allow any adjustments required to be made in a timely manner. It is our understanding that this is being done in the current year.

Budget Law

Public Act 621 of 1978, entitled the Uniform Budgeting and Accounting Act, requires that the Township Board adopt a general appropriations act. The adoption of a general appropriations act encompasses all governmental funds of the Township.

The Act provides, in part, that expenditures incurred on a functional basis cannot exceed the budgeted amounts. During the year ended March 31, 2005 certain areas did exceed the budgeted amounts as noted below.

We recommend that the Township Board: (1) review all requirements of Public Act 621 of 1978 as amended; (2) adopt a general appropriations act for the General Fund; (3) ascertain that functional and/or activity expenditures do not exceed the amounts budgeted.

The Township incurred functional expenditures in excess of the amount appropriated as follows:

<u>Fund/Function</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund:				
Election Board	\$ 1,200	\$ 641	\$ 646	\$ (5)
Township Assessor	\$ 6,120	\$ 6,400	\$ 6,587	\$ (187)
Township Clerk	\$ 6,038	\$ 7,200	\$ 7,219	\$ (19)
Recycling Program	\$ 4,803	\$ 6,500	\$ 6,569	\$ (69)
Township Treasurer	\$ 9,973	\$ 7,800	\$ 8,801	\$ (1,001)
Board of Review	\$ 867	\$ -0-	\$ 786	\$ (786)
Township Hall	\$ 12,208	\$ 9,446	\$ 9,713	\$ (267)